

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

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| GUIDELINES FOR REVISING |) | ADMINISTRATIVE |
| NON-RECURRING CHARGES OUTSIDE |) | CASE NO. 275 |
| GENERAL RATE CASES |) | |

O R D E R

In recent months the question has arisen as to the manner in which non-recurring charges may be revised. The purpose of this Order is to clarify the Commission's position on this matter.

Non-recurring charges are charged to customers due to a specific request for certain types of service activity for which, when the activity is completed, no additional charges may be incurred. They are intended to be limited in nature and to recover the specific cost of the activity. Examples are reconnection charges, late payment fees, service order changes and hook-on or tap fees. The purpose of these charges is to keep the monthly local bill lower than it would be otherwise by recovering these costs from specific customers requesting this service.


The Commission recognizes the need of the utility to periodically review and, where necessary, revise these charges as a function of sound management. However, under current Commission practice, a utility may not implement revised charges outside a general rate case proceeding. This practice has, in some


instances, limited a utility's ability to keep these charges in line with the cost for providing the service. As a result, in a general rate case proceeding, rate revisions to these services are often much larger than revisions to general basic services causing certain hardships on customers.


Based upon its own investigation, the Commission hereby ORDERS the procedural guidelines set out in Appendix A to be effective for all jurisdictional utilities on the date of this Order. The guidelines allow rate revisions for non-recurring charges outside a general rate case proceeding. The Commission is of the opinion that these guidelines are a proper and necessary action pursuant to state statutes and Commission regulations to foster more efficient utility operations in the Commonwealth.

Done at Frankfort, Kentucky, this 26th day of March , 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice-Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN ADMINISTRATIVE CASE NO. 275 DATED March 26, 1984

PROCEDURAL GUIDELINES FOR HANDLING CASES INVOLVING INCREASES IN MISCELLANEOUS AND NONRECURRING SERVICE CHARGES OUTSIDE A GENERAL RATE CASE

In addition to the specific information required pursuant to the Commission's tariff regulations (807 KAR 5:011), the following guidelines are applicable when a utility makes a filing to increase Miscellaneous or Nonrecurring Service Charges outside a general rate case. When these guidelines are met, such a filing may be made by letter with supporting documentation and will not require the information normally required pursuant to the Commission's general rate case regulation (807 KAR 5:001, Section 9).

- (1) Each requested rate revision must be accompanied by:
 - (a) A specific cost justification for the proposed rates and a full description of the equipment or service provided under tariff [807 KAR 5:011, Section 6 (2c)]. The proposed rates should at least cover incremental costs, and a reasonable contribution to overhead. Incremental costs are defined as those costs which would be specifically incurred in the provision of this service.
 - (b) A copy of the public notice of each requested rate revision and verification that it has been made pursuant to 807 KAR 5:011, Section 8.
 - (c) A detailed statement explaining why the proposed changes could not have been included in the most previous general rate case and why current conditions prevent deferring the proposed changes until the next general rate request.
 - (d) An impact statement identifying the group of customers affected by the proposed tariff. The impact statement shall identify potential as well as existing customers.
 - (e) A copy of the utility's income statement and balance sheet for a recent 12-month period.

- (2) If the additional revenue to be generated from the proposed tariff revisions exceeds by 5 percent the total revenues provided by all miscellaneous and nonrecurring charges for a recent 12-month period, the utility must file, in addition to the information set out in (1) above, the following:
- (a) An absorption test showing that the additional net income generated by the tariff filing will not result in an increase in the rate of return (or other applicable valuation methods) to a level greater than that which was allowed in the most recent rate case. Any general rate increases received during the 12-month period must be annualized. Any significant cost changes may be included but must be documented as part of the filing.
- (3) No more than two such tariff filings under this procedure shall be made between general rate cases. Other tariff filings will be processed according to general rate case procedures.